

Steelcase

Memorandum

To Rich Cocos

Date July 24, 2003

From James M. Van Dyk, Manager,
Corporate Credit

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Subject Harbins, Inc. Dealer Termination Memo

This memo is to provide background information for the purpose of moving to terminate Harbins, Inc. of Montgomery, AL. Harbins has been and remains in default of their credit agreements with Steelcase for nonpayment of their trade account. At present, Steelcase is owed \$368m, with nearly all of it over 90 days past due. Numerous attempts to resolve this issue have been unsuccessful and we believe legal action will be required to affect a recovery.

Background:

- Harbins was founded 1949 in Montgomery, AL by Charles T. Harbin.
- Harbins is one of two dealers covering the Montgomery market, the other is Kyser Officeworks.
- Harbins was incorporated in AL in 1990.
- Ownership is held by Michael G. Harbin, Jr., 75% and Michael G Harbin, Sr., 25%

Performance Summary:

- Harbins showed a profit of \$101m the fiscal year ending 12/31/2001 had stockholders equity of \$5m.
- Financial Information for the fiscal year ending 12/31/2002 has not been provided to Steelcase, but it is believed that Harbins suffered significant losses to the point where the company has now become insolvent.
- Harbins has been on maximum credit hold since November, 2002 and we have been requesting financial information and a plan on how Harbins will repay the amounts owed to Steelcase since that time.
- In February, 2003 Steelcase retained Quarles & Brady to send a demand letter to Harbins for the amount owed and a plan for repayment. Michael Harbin agreed to send a partial payment and provide a plan but failed to do so.
- Jim Van Dyk spoke with Michael in May and offered to forbear on legal action for an additional three months (to give Harbins time to repay Steelcase) provided Michael would sign a Personal Guaranty for the amount owed to Steelcase and a Forbearance Agreement. Michael originally agreed to sign the documents but never returned them.
- To our knowledge, Harbins has not entered any orders since May, 2003.

**DEFENDANT'S
EXHIBIT**

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The Steelcase logo, consisting of the word "Steelcase" in a white, sans-serif font, centered within a solid black rectangular background.

Based on the above information, we feel that Harbins is incapable of satisfying Steelcase customer needs in the Montgomery, AL market. We further believe that it is in the best interest of Steelcase to terminate its relationship with Harbins and immediately commence legal action to recover the amounts owed.

Please feel free to contact me with any questions or comments about the above.

James M. Van Dyk